

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

3/16/2016

U.S. DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
LONG ISLAND OFFICE

CANON U.S.A. INC.,

Plaintiff,

v.

F & E TRADING LLC et al,

Defendants.

Docket 15-cv-06015-DRH-AYS

United States Courthouse
Central Islip, New York

February 25, 2016

10:38:51 am - 10:58:25 am

TRANSCRIPT FOR CIVIL CAUSE
- INITIAL CONFERENCE -
BEFORE THE HONORABLE ANNE Y. SHIELDS
UNITED STATES MAGISTRATE-JUDGE

A P P E A R A N C E S :

*For Plaintiff:*DAI WAI CHIN FEMAN, ESQ.
Dorsey & Whitney LLP
51 West 52nd Street
New York, New York 10019-6119
(212) 415-9345; (646) 607-5913 fax
chinfeman.daiwai@dorsey.com*For Plaintiff:*BRUCE R. M. EWING, ESQ.
Dorsey & Whitney LLP
51 West 52nd Street
New York, New York 10019-6119
(212) 415-9206; (212) 953-7201 fax
ewing.bruce@dorsey.com*For Defendants:*STEVEN ERIC FRANKEL, ESQ.
Goldberg & Rimberg PLLC
115 Broadway, Suite 302
New York, New York 10006
(212) 697-3250; (212) 227-4533 fax
sfrankel@grlawpllc.com*Transcriber:*AA Express Transcripts
195 Willoughby Avenue, Suite 1514
Brooklyn, New York 11205
(888) 456-9716; (888) 677-6131 fax
aaexpress@court-transcripts.net*(Proceedings recorded by electronic sound recording)*

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1 COURTROOM DEPUTY: Calling 15-cv-6015, Canon U.S.A.
2 Inc. v. F & E Trading LLC et al. Please state your appearances
3 for the record.

4 MR. FEMAN: Dai Wai Chin Feman, Dorsey & Whitney, for
5 the Plaintiff, Cannon U.S.A.. And I'm here with my colleague,
6 Bruce Ewing.

7 THE COURT: Good morning.

8 MR. EWING: Good morning.

9 MR. FRANKEL: Good morning. Steven Frankel, from
10 Goldberg & Rimberg, PLLC, for the Defendants.

11 THE COURT: Good morning.

12 MR. FRANKEL: Good morning.

13 THE COURT: So, this is a trademark case. Let me ask
14 quickly the Plaintiff whether or not all of the Defendants have
15 been served, everybody in the case?

16 MR. FEMAN: Yes.

17 THE COURT: Okay. And I think there's an issue as to
18 the individual Defendant, right?

19 MR. FEMAN: Correct. The individual has moved to
20 dismiss, and we filed an opposition brief.

21 THE COURT: Okay. And that's not yet fully briefed,
22 and that's before Judge Hurley, right?

23 MR. FRANKEL: That's correct, Your Honor.

24 THE COURT: Okay. So, that's where you are. But you
25 can still move on with the case. The Plaintiff is alleging that

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1 these are gray market goods?

2 MR. FEMAN: That's correct.

3 THE COURT: And is there an allegation that these
4 goods are counterfeit? Or in some way not what they're supposed
5 to be?

6 MR. FEMAN: There are allegations that the goods are
7 materially different in various regards.

8 THE COURT: Okay. And is this still going on?

9 MR. FEMAN: To Canon's knowledge, it is.

10 THE COURT: Okay. How about Defendants? It's still
11 going on?

12 MR. FRANKEL: My understanding is that the Defendants
13 are still selling the gray market goods. There is a debate as
14 to how many of the goods, or what amount of goods may actually
15 have any kind of differences, or whether those differences are
16 material. And there's also an issue about the disclaimers that
17 the Defendants have on their websites and points of sale where
18 they're selling the goods basically letting the consumers know
19 exactly what it is that they're buying. Consumers know that
20 they're buying imports. They don't think they're buying
21 products --

22 THE COURT: Right. They know they're buying imports,
23 but it would be your position that they're buying goods that are
24 the same, right?

25 MR. FRANKEL: The same --

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1 THE COURT: You're not warranting against something
2 being counterfeit or --

3 MR. FRANKEL: Correct. They're not --

4 THE COURT: -- somehow not up to what Canon says it
5 is?

6 MR. FRANKEL: Correct. They're not counterfeit;
7 they're Canon products.

8 THE COURT: Right. And it's your position that these
9 goods are the exact goods as what Canon sells here; they just
10 come from another source.

11 MR. FRANKEL: Correct. And if there are any
12 differences, any minor differences, or whatever differences,
13 those are disclaimed at the point of sale, so the consumer knows
14 what they're buying.

15 THE COURT: Well, I guess that's what the issue is,
16 right?

17 MR. FRANKEL: Correct.

18 THE COURT: So the question is what is the nature of
19 the goods, right? If it's the same goods, it's one thing, and
20 if it's not, it's certainly something else. So that's what the
21 discovery is looking at in this case, right?

22 MR. FEMAN: That's our position, yes.

23 THE COURT: Okay.

24 MR. FRANKEL: That's one of the issues, Your Honor.

25 THE COURT: It's a big one, right?

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1 MR. FRANKEL: That's certainly a major issue, Your
2 Honor.

3 THE COURT: Okay. All right. So, I'm looking at your
4 discovery worksheet, and we've got Plaintiff's proposal and
5 Defendant's proposal? Is that right? Yeah, that's what it
6 looks like. So the Plaintiff's proposal are those dates in
7 court with the deadlines that I suggested?

8 MR. FEMAN: That's correct. We worked off their
9 presumptive dates.

10 THE COURT: Okay. So I see that the Defendant needs a
11 lot more time. Everybody's agreeing on Rule 26, right? And
12 that's March 10. What do you see as a Rule 26? That's really
13 not that complicated, right?

14 MR. FEMAN: Just standard and initial disclosures.

15 THE COURT: Right. You're identifying what this is,
16 right? Other than that, I think you know each other's claims.

17 MR. FRANKEL: Right.

18 THE COURT: So March 10 is --

19 MR. FRANKEL: We don't have any issue with that one,
20 Your Honor.

21 THE COURT: Well, you shouldn't. It's more than I
22 usually give. So that's okay. Okay. Phase I discovery. What
23 are we talking about? Let me ask the Plaintiff what you have in
24 mind for part of Phase I. What would you produce? What would
25 you ask for?

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1 MR. FEMAN: So, we would produce the evidence we
2 currently have of the Defendants infringing sales. Because
3 that's readily available.

4 THE COURT: Is that an actual product?

5 MR. FEMAN: Correct. We have actual specimens.

6 THE COURT: Okay. That's good. So give those over so
7 you can both take a look at that. What else?

8 MR. FEMAN: And from our perspective, that's all we
9 would produce that's readily available in Phase I. From
10 Defendants we request data on what models of gray market cameras
11 they're selling, and what their sales figures are for those
12 models over the past --

13 THE COURT: Stop for a second. Let's talk about what
14 exactly the products are that are our issue. Is it all cameras?
15 Is it copiers? Let's be clear what we're talking about.

16 MR. FEMAN: As far as we know right now, it's limited
17 to cameras and camera-related equipment.

18 THE COURT: And let me ask the Defendant, are those
19 the only Canon products that you are selling? Distributing? Is
20 it just cameras?

21 MR. FRANKEL: I honestly don't know, Your Honor. I
22 believe this case is limited to the cameras.

23 THE COURT: Okay. So you're going to have to find
24 that out --

25 MR. FRANKEL: Okay.

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1 THE COURT: -- as far as Phase I.

2 MR. FRANKEL: Find out if my client is selling Canon
3 products other than cameras?

4 THE COURT: Well, anything with Canon's name on it --

5 MR. FRANKEL: Okay.

6 THE COURT: -- you will have to disclose to the other
7 side.

8 MR. FRANKEL: Okay.

9 THE COURT: What's the statute? How far do we go back
10 in this case?

11 MR. FEMAN: There's no state of limitations. So, we
12 want to go back presumptively at least five years, depending on
13 how long these sales have been going on.

14 THE COURT: Okay. That's fine. So, the Defendant
15 would have to produce something showing which products with the
16 Canon name have been sold by the Defendants in the last five
17 years. Does the Plaintiff have the information that's on the
18 Defendant's website? I mean do you see that? Because you want
19 to see how these are represented, right?

20 MR. FEMAN: Correct. We have evidence from the
21 website already. We know that Canon's trademark is portrayed on
22 the Defendant's website, although it's altered in a certain way
23 so as not to be the same, an accurate representation of the
24 trademark. But, yes, we do have website records.

25 THE COURT: They're using your name anyway.

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1 MR. FEMAN: Correct.

2 THE COURT: So, it's clear to anyone that they're
3 using the Canon name and they are distributing or selling
4 products that they say are Canon products, right?

5 MR. FRANKEL: Correct, Your Honor. And I don't
6 believe there's an issue of whether they are Canon products. I
7 don't believe the Plaintiffs are taking the opposite position.

8 THE COURT: Again, that's the issue.

9 MR. FEMAN: Correct. It's that the Defendants aren't
10 authorized resellers of Canon products, and they're selling
11 products that are materially different from those that are
12 legitimately and genuinely sold in the United States.

13 THE COURT: Okay. Now, when you say they're not
14 authorized resellers, do you have documents that show what an
15 authorized reseller is? You know agreements that you might
16 enter into? People who you think are legitimate reseller?

17 MR. FEMAN: Sure. Canon U.S.A. has a nationwide
18 network of independent authorized retail dealers. And they go
19 through an application process. And it's very well-known in the
20 marketplace who is and who is not an authorized reseller. And
21 those who are authorized, are allowed to prominently display
22 that and make it known to the market.

23 THE COURT: Let me ask the Defendant. Is there any
24 allegation that your clients are authorized Canon resellers as
25 described by the Plaintiff?

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1 MR. FRANKEL: No, there's no allegation that we are
2 authorized. You know, as a matter of the first-sale doctrine --

3 THE COURT: Right. You're just saying that --

4 MR. FRANKEL: we're still permitted to sell it.

5 THE COURT: -- that you're selling something that's
6 authentic.

7 MR. FRANKEL: Correct.

8 THE COURT: Okay. All right. So, I think that the
9 Plaintiff has evidence of the actual product, and you're going
10 to give that product to the Defendant to take a look at. And I
11 guess the Defendant, if you have any products or anything that
12 shows that it is authentic, that's what you have to talk to each
13 other about.

14 MR. FRANKEL: We'll talk about -- we'll figure out how
15 that makes sense.

16 THE COURT: Right. And then I think the Plaintiff
17 should let the Defendant know, and I would make this as part of
18 Rule 26 disclosure, and if you need until March 25 to do this,
19 that's fine with me. What I would like you to do is put a
20 statement together saying why those products are not authentic.
21 So, I know you have certain things in the complaint saying you
22 know that they're mismarked or something, but I'd like you to be
23 specific so that the Defendant knows what you're talking about.

24 MR. FEMAN: Sure.

25 THE COURT: All right? And if you could link that up

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1 to a physical product, I think that would be helpful. Is there
2 anything that the Defendant would like from the Plaintiff as far
3 as Phase I that you can identify right now?

4 MR. FRANKEL: Your Honor, at this point, I'm not sure
5 what will be in Phase I and Phase II in terms of that. And,
6 frankly I'm --

7 THE COURT: Well, if you had a wish list of what you
8 wanted to ask them for today, what would be on that?

9 MR. FRANKEL: Well, certainly one of the things that
10 we want is -- one of our defenses here -- well, there are
11 several defenses. One of them is consumer confusion. So, we're
12 going to want -- I'm not sure necessarily if it's going to be
13 from the Plaintiffs or from third parties, but in terms of being
14 able to show that there's no actual consumer confusion here, or
15 for them to prove that there is consumer confusion here, that's
16 certainly a major issue.

17 THE COURT: I think that might go to a later expert
18 discovery situation, right?

19 MR. FRANKEL: That certainly will -- I agree, that
20 probably will be part of the expert discovery. But there will
21 be certainly fact discovery that is needed to be able to get to
22 that expert discovery.

23 THE COURT: And that's confusion as to what's on your
24 website? You know, your disclaimer?

25 MR. FRANKEL: Or whether consumers are confused as to

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1 what they're actually purchasing.

2 THE COURT: Okay.

3 MR. FRANKEL: But that is a defense, whether consumers
4 have any confusion as to what they're purchasing. My
5 understanding is that's the reason for --

6 THE COURT: So, in that, what I think you should
7 produce at this point is -- I know you said you have a
8 disclaimer on your website. If you include any disclaimers with
9 the product when you ship it, you should give the Plaintiffs
10 that as well. What about complaints? Do they make complaints
11 about products? Saying that there's something wrong with the
12 Canon products? Do you have anything like that

13 MR. FRANKEL: I believe if there were any, there would
14 be feedback on the eBay websites about my clients. Either eBay
15 or Amazon. I'm not aware. I would need to check, but I'm not
16 aware of complaints.

17 THE COURT: All right. Well, that raising an
18 interesting issue now that you said eBay. What about electronic
19 discovery in the case?

20 MR. FRANKEL: We've discussed that we're going to be
21 putting together a protocol for electronic discovery.

22 THE COURT: Okay. Okay. Good. As long as you're
23 handling that.

24 MR. FRANKEL: We're in discussions of that already,
25 and I think we're largely in agreement as to how we're going to

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1 be able to pull that together.

2 MR. FEMAN: We don't see any issues on the format
3 production.

4 THE COURT: Okay, good. All right. Back to the
5 Plaintiff. Anything else you want to identify right now?

6 MR. FEMAN: One thing I might add is that we'd like in
7 Phase I for the Defendant to identify all DBAs through which
8 it's selling Canon products. We've identified several DBAs in
9 the complaint, but we're not sure what else is out there. And
10 in Defendant's answer, they've said that they do business online
11 through various affiliated entities and DBAs.

12 THE COURT: So, you would want any DBA that is also
13 selling Canon products that you have not so far named?

14 MR. FEMAN: Correct. And we'd ask that the sales
15 figures for the Canon models and revenue that we previously
16 discussed, we'd ask that that be listed for all the DBAs as
17 well.

18 THE COURT: Okay. I think identification of the DBAs
19 is something that the Defendants should do at this point just to
20 make sure that they have the right people.

21 MR. FRANKEL: I'm sorry. That's as part of Phase I?
22 Or in the initial disclosures?

23 THE COURT: Of Phase I.

24 MR. FEMAN: And that's it from Plaintiff's perspective
25 for Phase I.

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1 THE COURT: Okay. Is that it?

2 MR. FRANKEL: Again, I'm not sure whether this goes to
3 Phase I or Phase II, Your Honor, but --

4 THE COURT: We're only talking about Phase I.

5 MR. FRANKEL: No, I understand. There's discovery
6 that we'd want, and I'm not positive which one it falls into.

7 THE COURT: Okay. Go ahead.

8 MR. FRANKEL: But certainly parts of our defense is
9 our waiver and estoppel and acquiesce by the Plaintiffs. And
10 from our understanding, Canon has known about this for years.
11 They know that gray markets are sold in the United States. They
12 know actually that some of their own authorized resellers are
13 selling gray market goods in the United States. And they don't,
14 as far as we know, take action to stop that. For some reason
15 they're singling us out now years after knowing about this and
16 now they're racketing up damages purportedly and suing us at
17 this point. So we believe that that's a very strong here, and
18 we want discovery from the Plaintiffs themselves and from these
19 authorized resellers that they're acquiescing to and agreeing to
20 have selling that way. As well as -- and this will, I'm sure,
21 be a Phase II point, so may I should hold off.

22 THE COURT: No, finish discussing it.

23 MR. FRANKEL: Go on with it? How this may impact on
24 foreign discovery as well, because Canon U.S.A., as they allege
25 in their complaint, is really just the U.S. licensee of Canon

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1 products from Canon, Inc., which is a Japanese company. So
2 Canon, Inc. is actually the manufacturer here. And so if Canon,
3 Inc. is acquiescing or agreeing, or knows about this also, and
4 they're selling it to foreign distributors with the knowledge
5 that the foreign distributors are going to be selling the goods
6 to the United States through venues such as my client, then
7 that's also a defense. So we would want potentially to be able
8 to get discovery from them as well for those kinds of defenses.

9 THE COURT: I think you'd be entitled, at least in
10 Phase I, to find out how long they've known about your clients.
11 So you know documents showing how long the Plaintiff has known
12 that these people have been selling Canon goods. I'm not going
13 to ask you to look at everything, all sales from everybody else,
14 but your knowledge as to these Defendants.

15 MR. FEMAN: Do you mean all Canon goods? Or all Canon
16 goods where we have evidence that they are materially different
17 from genuine Canon goods?

18 THE COURT: Well, certainly all Canon goods forming
19 the basis of this complaint. So cameras.

20 MR. FEMAN: Okay. And if I may respond briefly to his
21 point about foreign discovery?

22 THE COURT: Yes.

23 MR. FEMAN: I think part of the reason there is a
24 discrepancy between the dates and Plaintiff's proposal and
25 Defendant's proposal, we've agreed to disagree in our conference

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1 calls prior to today about the scope of discovery. But from the
2 Plaintiff's perspective, we don't see the need for any foreign
3 discovery, or really any third party discovery unless unforeseen
4 issues arise later in the case. From our perspective, this case
5 is about whether the products that the Defendants are selling
6 are materially different from those that are genuinely sold in
7 the United States.

8 THE COURT: I think that is the critical issue, right?
9 That's the critical issue on your trademark question.

10 MR. FEMAN: Correct. So to the extent that they might
11 want discovery from anyone in another country or Canon, Inc., we
12 don't think that's relevant.

13 THE COURT: I think you can hold off on that
14 certainly. Right? And kind of focus on the products at issue
15 here.

16 MR. FRANKEL: I certainly agree, Your Honor. For
17 Phase I that makes sense. But for Phase II, again we're talking
18 about our defenses here. I understand that the Plaintiff would
19 rather not focus on it, but for our defenses of acquiesces and
20 estoppel, etcetera; the knowledge of Canon, not just Canon
21 U.S.A., but Canon, Inc., who's the actual manufacturer here,
22 it's certainly relevant. And again, that may take more time
23 than just focusing on what they would obviously like to focus
24 on, which are their claims.

25 MR. FEMAN: And from Plaintiff's perspective, Canon,

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1 Inc. is a Japanese company. While Canon U.S.A. is a U.S.
2 subsidiary. They're separate companies. Canon U.S.A. doesn't
3 have possession, custody or control over Canon, Inc. documents.
4 I think it's pretty well established under corporate law in the
5 U.S. that these are separate entities, and you can't treat them
6 as one in the same. So to somehow attribute some sort of
7 knowledge that Canon, Inc. may have to Canon U.S.A., we think
8 would be inappropriate and wouldn't warrant any discovery.

9 THE COURT: All right. Why don't we do this. Why
10 don't you wait until Canon, the Plaintiff's deposition is taken,
11 because that will give the Defendant a little bit more time to
12 flush out the issues of the corporations and how they're
13 related, and whether or not Canon in Japan has information and
14 should be deposed, or should give information, or should
15 participate in discovery of the action.

16 MR. FEMAN: Okay. Just to note for the record, Canon
17 Inc. doesn't have a presence in the U.S. So to take Canon,
18 Inc.'s deposition would require --

19 THE COURT: No, I'm talking about taken the
20 Plaintiff's deposition.

21 MR. FEMAN: Correct. Ultimately though I thought you
22 mentioned.

23 THE COURT: No, ultimately, but, that's down the road.

24 MR. FEMAN: Sure.

25 THE COURT: Okay.

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1 MR. FRANKEL: Right. But again, Your Honor, that's
2 why we were requesting more time, so we're not squeezed into a
3 situation where --

4 THE COURT: No, that's okay. If that comes up, you'll
5 have more time later. I'm just trying to get the ball rolling
6 here.

7 MR. FRANKEL: Okay. No, that's fine. Again, that's
8 why we were thinking of dates somewhat further out than Your
9 Honor was proposing.

10 THE COURT: Let's do this. Okay? What I'm going to
11 do is, is I'm going to enter the dates on Plaintiff's proposal.
12 I'm certainly open to extending that if this is much bigger than
13 we see. But what I'd like to do is go by this schedule now; see
14 where the case goes; and if you need more time, certainly you
15 can ask for it. All right?

16 MR. FRANKEL: Okay.

17 THE COURT: But let's take the depositions you know of
18 the people who are here; get the documents here; and see where
19 the case goes from there.

20 MR. FRANKEL: Okay.

21 THE COURT: Okay? I am not going to put down a status
22 conference right now because there may actually be new parties
23 in this case once the Defendant identifies if there are any
24 other DBAs. You might be adding people. I'm not going to put
25 down a conference right now. I'd like you to go by this

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1 schedule. And I'm going to give you -- let's see. What I'd
2 like to do, is I'd like to see you in June, okay? Because at
3 that point, you'll have the new parties, you'll have your
4 initial request in, in any case, for production of documents and
5 interrogatories. Because that's May. You'll have responded to
6 those. And then we can talk about depositions, but you're free
7 to take before June. You know, if you're ready for that, go for
8 it. But otherwise, what I'd like to do to keep my hands on it
9 is schedule you to come in let's say the second week in June.
10 Let's take a look at our calendars.

11 (Pause.)

12 THE COURT: How does June 13 look for you?

13 MR. FEMAN: I'm just turning on my calendar briefly.

14 THE COURT: Okay.

15 MR. FRANKEL: Your Honor, that's a Jewish holiday of
16 Shavuot.

17 THE COURT: The 15th?

18 MR. FRANKEL: The 15th if okay for me.

19 THE COURT: Does that work?

20 MR. FEMAN: That should work for Plaintiff.

21 THE COURT: Okay. So let's do this. Let's put you
22 down. I'm going to so-order the Plaintiff's proposal for
23 discovery at this point; put you down for a conference on June
24 15 at 10:30; and what I would like you to do is on June 10,
25 which is the Friday before, send me a joint status letter

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1 letting me know exactly what you've done so far in the case;
2 where you see discovery going; and what you need.

3 MR. FEMAN: Okay.

4 THE COURT: All right? So, we'll together until then.
5 Anything else you need from me today?

6 MR. FEMAN: Not at this time.

7 THE COURT: Defendants?

8 MR. FRANKEL: I guess not at this time, Your Honor.

9 THE COURT: Okay. All right, thanks. I'll see you in
10 June.

11 MR. FEMAN: Thank you, Your Honor.

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CERTIFICATION

I, Rochelle V. Grant, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter.

Dated: March 10, 2016



Rochelle V. Grant

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